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ECONOMIC NEWSLETTER

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ECONOMIC RESULTS FOR FIRST NINE MONTHS OF 1990

(Million tons unless otherwise indicated)

Product	First 3/4 of1990 Output	1990 as % of 1989
Electricity (bil. kw hrs)	1261	100
Oil	433	95
Gas (mil. m^3)	602	103
Coal	528	95
Steel	n/a*	98
Metal Cutting machine tools (1000 units)	n/a*	n/a*
Computer technology (million rubles)	n/a*	n/a*
Tractors (1000 units)	n/a*	94
Mineral Fertilizer	n/a*	n/a*
Pharmaceuticals (million rubles)	n/a*	n/a*
Paper	n/a*	n/a*
Cement	n/a*	n/a*
Meat	9	96
Sausage products	2.9	100
Edible fish products	4.2	96
Butter	2.3	100.2
Cheese (1,000 tons)	710	99.6
Wholemilk products	26.2	102
Margarine products (million tons)	1.1	98
Granulated sugar	5.4	91
Confectionary	3.8	103
Canned foods (bil. cans)	14.9	96
canned fruit/vegs	10.2	93
Nonalcoholic beverages (million dekaliters)	486	94

*n/a indicates figures are not available

Product	First 3/4 1990 Output	1990 as % of 1989
Footwear (mil. pairs)	592	99.5
Television sets (million units)	7.8	107
Refrigerators/freezers (million units)	5.3	100.7
Radios (million units)	6.8	108
Tape recorders (million units)	4.6	109
VCRs (thousands)	317	360
Sewing machines (million units)	1.3	117
Washing machines	5.8	118
Vacuum cleaners (million units)	4.2	114
Furniture (mil. rubles)	7.7	108
Motorcycles (thousands)	747	105
Cars (thousands)	943	104
Paper Goods (mil. rubles)	732	109
Household soap (thousand tons)	528	102
Toilet soap (thousand tons)	228	104

Working Force in millions

(First Nine Months of 1990)

	1989	1990
In the state sector	116.3	114.5
In the cooperative sector:	17.5	18.4
Kolkhozes	11.5	11.2
Consumer cooperatives	3.4	3.4
Cooperatives producing goods and providing services	2.6	3.8

THERE IS MORE GLOOMY NEWS DURING THE FIRST THREE QUARTERS OF 1990

The bad news continues. Overall the Soviets report that national income is down 2.5% during the first nine months of 1990 compared to a similar period in 1989. That presumably does not allow for inflation which would make the actual drop in national income much higher.

There are other factors as well that suggest just how serious the situation is. Freight shipments are down by 4.7%. Profits of Soviet enterprises are down by 3.9%.

The Soviets, as they did last year, have not provided us with a full list of production reports for specific industries. However we can reconstruct some and have done that in the accompanying table. It shows that oil output for the first 9 months is down 5% as is coal production. The rate of decline at least in the oil industry seems to be accelerating a bit and as we mentioned earlier, that presumably means that oil production for the whole year at this rate will total only 570 million tons or approximately 11.5 million barrels a day compared to 607 million tons or 12 million barrels a day in 1989 and 624 million tons or 12.5 billion barrels a day in 1988. The production of gasoline for automobiles and diesel fuels is also down which suggests that the refineries are also having difficulties. Gasoline refining for automobiles is down 5% and diesel fuel is down 2%. Electrical generation remains constant although the electricity being generated from nuclear facilities actually rose 3%. Other random figures indicate that tractor output was down 6% and steel was down 2%.

There is some good news. Gas output rose by 3% and output of consumer goods rose significantly. That is indicated in the accompanying table.

Despite the increase in consumer good output, however there are still very serious shortages in Soviet shops. This in large part is due to the fact that money incomes rose by 14% during the nine month period while planned growth was to be only 7%. This pushed up the average wage to 257 rubles a month compared to 237 the year earlier. The most bothersome of all is the fact that the prices of food products on the collective farm markets rose by 24%. Meat prices for example rose by 30%. This is largely a reflection of the disappearance of goods from the state stores. Nor did it help that meat production fell by 4%. The statistical authorities put out a long list of goods that are now officially in short supply. It includes flour, fish, margarine, eggs, salt, and they report that in some areas there is not even enough sugar to match the sugar coupons that have been distributed. It was obviously bothersome that only 28% of the harvest of potatoes was met by October 8th of this year which is already very late.

The Soviet statistics do indicate that change is occuring. The number of workers in the government sector dropped by one and a half million. At the same time the number of workers involved in the cooperatives producing goods and providing services rose by over a million.

At the same time the number of people on strike for economic or ethnic reasons continues to be very large. The average fell to 50,000 per day which is still a large number but somewhat less than it was at the beginning of the year.

Housing construction fell 8% from last year.

Finally the Soviets do seem to be having some difficulty in their foreign trade. Crude oil exports fell by 6.3 million tons and the export of gasoline for cars fell by 2.1 million tons and diesel fuel by 2.2 million tons. At the same time grain imports rose by 17% and meat imports rose by 71% compared to the

previous year. Soviet sources also indicate that there are now slightly more than 2000 joint ventures officially registered.

What seems to be taking place is that there is structural change in the economy but it is not changing quickly enough as yet to make up for the decline in the production and sales in the state sector. It is not just that the figures seem to be down, but the tone of the statistical report is one of the most pessimistic that has ever been printed. It as if the statistical authorities take it for granted that conditions are bad and will continue to deteriorate.

CONVERSION - WHO SAID IT WOULD BE EASY?

The Russian Research Center in conjunction with the Economics and National Security Program of the Center for International Affairs at Harvard have joined together to convene one of the more unique conferences offered in our corporate sponsor series. On Monday, February 4, 1991, we will bring together a group of Soviet and American military specialists. Both sets are engaged in the effort to convert the military sector to civilian production. Representatives from some of the leading military producers in this country have agreed to make presentations. The list of those who have already accepted are listed in the accompanying program. In addition we will bring from the Soviet Union three representatives from the nuclear weapons sector. They include a deputy minister of defense and a plant manager as well as the director of the Central Economic and Mathematical Institute, a major consultant for the defense sector.

This encounter promises to be a most unusual one. It will be open to members of the public and an application form is included with this newsletter.

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